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AUDITOR-CONTROLLER

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DEPARTMENT OF AUDITOR-CONTROLLER**

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November 13, 2002

TO: Robert Ryans, Director
Department of Community and Senior Services

FROM: J. Tyler McCauley *by PIR*
Auditor-Controller

SUBJECT: **FOLLOW UP REVIEW OF WOMEN'S AND CHILDREN'S CRISIS
SHELTER, INC.**

We have completed our follow up review of the Women's and Children's Crisis Shelter, Inc. (Agency or WCCS). Our initial review, conducted in September 2002, attempted to reconcile a sample of expenditures reported on the Agency's claims for the Domestic Violence Supportive Services Program (CalWORKs) and Emergency Shelter Program to the Agency's official accounting and timekeeping records, and other supporting documentation.

Because the methods used by the Agency to prepare the monthly reimbursement claims and report program expenditures were not in accordance with the provisions of its County contract, we were unable to reconcile reported expenditures for the two programs and needed to expand our review to include all of the Agency's programs.

Background

During Fiscal Year (FY) 2001-02, WCCS received a total of approximately \$817,000 in funding to operate seven different programs. The seven programs are as follows:

CSS Programs:

- Domestic Violence Supportive Services Program (CalWORKs) - \$300,000
- Community Services Block Grant (CSBG) - \$104,580
- Emergency Shelter (DV) Program - \$64,318
- General Relief Opportunities for Work (GROW) Programs - \$12,000

Non-CSS Programs:

- Department of Health Services (DHS) - \$189,000
- Domestic Violence Shelter Program - City of Whittier - \$94,000
- State Emergency Housing and Assistance Program (EHAP) - \$52,500

Summary of Findings

Overall, WCCS does not maintain sufficient documentation to support reimbursed expenditures allocated to all its programs. As a result, we were unable to determine if the amount of funds the Agency received from CSS was appropriate. In preparing claims for reimbursement, WCCS does not notate on the vendor invoices the amounts allocated to each program or the month in which the invoiced amounts were claimed for reimbursement. Also, vendor invoices that had already been reimbursed are commingled with non-reimbursed invoices, which increases the likelihood that the same invoices may have been reimbursed more than once. However, since the Agency does not notate claiming information on the invoices, we could not determine if invoices were claimed more than once for the two months reviewed.

We also noted that for FY 2001-02, the payroll amount charged to the CalWORKs program (and reimbursed by CSS) was approximately \$10,000 greater than the amount paid to the Agency's CalWORKs program staff. The Agency's Director and bookkeeper could not explain the difference.

As a recipient of federal funds in excess of \$300,000, WCCS is required to undergo a Single Audit for FY 2001-02 that includes an audited compilation of revenues and expenditures for each program. The comparison of the audited revenues and expenditures will identify any over or under payments by program. Base upon the records we reviewed, compliance with the federal Single Audit requirements may not be possible.

Expenditure Documentation

We attempted to reconcile program expenditures reported on the Agency's September 2001 and January 2002 reimbursement claims for the CalWORKs and CSBG programs to the Agency's accounting and timekeeping records and other supporting documentation. However, we were unable to do so. In addition, the Agency's Director prepares the claims and was also unable to complete the reconciliation. The reconciliation attempts could not be completed for the following reasons:

- WCCS does not have a formal cost allocation plan (which was noted in our September 2002 report) and does not notate on the vendor invoices the amounts charged to each program or the month in which the vendor invoices were claimed.
- Some vendor invoices, which the WCCS Director stated have been reimbursed, were commingled with non-reimbursed invoices and may have been included on subsequent claims. However, due to WCCS not notating claiming information (e.g., amounts allocated to each program, month claimed, etc.) on the invoices, we could not determine the extent in which WCCS may have claimed the same expenditures more than once for the two months reviewed.

- The annual payroll expenditure for the CalWORKs program reported on the Agency's general ledger (GL) and reimbursed by CSS was approximately \$10,000 greater than the amount paid to WCCS staff. WCCS' Director and bookkeeper were unable to explain the difference.

Due to the lack of an approved methodology for allocating expenditures among its various programs (noted in our September 2002 report) and inability to appropriately account for program expenditures, we could not confirm that the Agency's GL reflects actual program expenditures for the period reviewed. WCCS should use a CSS approved cost allocation plan (CAP) to allocate valid FY 2001-02 expenditures among the Agency's various programs, appropriately documenting each expenditure paid. CSS should resolve any over or under claimed program expenditures with WCCS in a timely manner.

As a recipient of federal funds in excess of \$300,000, WCCS is required to undergo a Single Audit for FY 2001-02. The federal Single Audit includes an audited compilation of revenues and expenditures for each program and is required to be completed by March 2003. Based on the condition of the Agency's records, it may not be possible for WCCS to comply with the Single Audit requirements by March 2003.

WCCS needs to improve its bookkeeping controls to ensure that paid vendor invoices are annotated to indicate the amounts allocated to each program and the month the expenses were claimed. WCCS also needs to reconcile each program's payroll register to the amounts reported on the GL and document the reasons for any difference. In addition, CSS needs to monitor the Agency to ensure that it properly accounts for program expenditures and complies with the federal Single Audit requirements. If WCCS does not demonstrate the ability to appropriately account for program expenditures, CSS should consult with County Counsel on terminating the contract with the Agency.

Recommendations

1. **WCCS management use a CSS approved cost allocation plan to allocate FY 2001-02 expenditures among the Agency's various programs, appropriately documenting each expenditure paid.**
2. **CSS management resolve any over or under claimed program expenditures with WCCS in a timely manner.**
3. **WCCS management improve its bookkeeping controls that include notating on vendor invoices the amounts allocated to each program and the months in which the vendor invoices are claimed.**

Recommendations (cont'd)

4. **WCCS reconcile each program's payroll register to the amounts reported on the GL and document the reasons for any difference.**
5. **CSS monitor the Agency to ensure that is properly accounts for program expenditures and complies with the federal Single Audit requirements.**
6. **If WCCS does not demonstrate the ability the appropriately account for program expenditures, CSS consult with County Counsel on terminating the contract with the Agency.**

Acknowledgment

On November 6, 2002, we met with managers and staff from your Department. They reported that WCCS has been notified to use the CAP developed by your Department to reallocate its FY 2001-02 expenditures. Your Department will be issuing a detailed response to this report within the next 30 days. We thank CSS managers and staff for their cooperation and assistance on this review. Please call me if you have any questions, or your staff may contact DeWitt Roberts at (213) 974-0301.

JTM:DR:DC

c: Board of Supervisors
David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Lloyd W. Pellman, County Counsel
Sandy Baker, Director, Women's and Children's Crisis Shelter, Inc.
Public Information Office
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